

# *Financial Section*

2003

Great American Ball Park



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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
City of Cincinnati, Ohio and  
Betty Montgomery, Auditor of State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio ("City"), as of and for the year ended December 31, 2003, which collectively comprise of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective statement of net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cincinnati, Ohio, as of December 31, 2003, and the respective changes in financial position (and respective cash flows, where applicable) thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 14, and the Budgetary Comparison Schedule-General Fund on page 73 and Note to the Required Supplemental Information on page 74 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information is the responsibility of City's management. Such information has been subjected to the

auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the City's basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

June 9, 2004

## **City of Cincinnati**

### **Management's Discussion and Analysis**

As management of the City of Cincinnati (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v - xiii of this report. The government wide financial statements are presented on a GAAP basis; that is they reflect accrual basis of accounting. The GAAP fund financial statements will differ from those presented on a budgetary basis.

#### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.5 billion (net assets). Of this amount, \$171.4 million is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$86.3 million and may be used to meet government's on-going obligations. The unrestricted net assets of the City's business type activities are \$85.1 million and may be used to meet the on-going obligations of the City's water, parking, convention center, stormwater, aviation and golf business-type activities.
- The City's total net assets increased \$52.5 million in 2003. Net assets of the governmental activities increased by \$31.6 million, which represents a 4.1 percent increase from the 2002 balance. Net assets of business-type activities increased \$20.9 million or 3.3 percent increase from 2002. Governmental activities investment in capital assets, net of related debt increased \$44 million. Governmental activities restricted assets decreased \$21.3 million. Business-type activities investment in capital assets, net of related debt increased \$40.5 million. Business-type activities restricted assets increased \$1.0 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. On a combined basis approximately 47 percent, \$161.2 million, is considered unreserved at December 31, 2003. Unreserved fund balance includes \$97.1 million restricted for capital projects.
- At the end of the current fiscal year, the general fund reported a fund balance of \$65.5 million. The unreserved fund balance for the general fund was \$51.3 million, or 16.6 percent of the total general fund expenditures. There was a \$136 thousand increase in general fund balance for the year ended December 31, 2003.
- The City's total debt increased by \$142.3 million (29.2 percent) during the current fiscal year.

#### **Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 17 to 19 of this report.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements (statement of net assets and statement of activities) distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, parks and recreation, public safety, transportation and engineering, enterprise services, public services, and public health. The business-type activities of the City include the Water Works, Parking Facilities, Convention Center, General Aviation, Municipal Golf, and Stormwater Management Funds.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 20 to 24 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 28 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, all of which are considered to be major funds. Data from the other 25 funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains two different types of proprietary funds - enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water works, parking facilities, convention center, municipal airport, municipal golf courses, and stormwater management system. *Internal service funds* are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds for its printing services, general stores operation, municipal garage, property management function, self-insurance medical fund, workers' compensation fund, and regional computer center. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 25 to 29 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Works Fund, which is considered to be a major fund of the City. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the other enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City uses fiduciary funds to account for pension, trust and agency funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30 and 31 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 to 70 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Budgetary Comparison of the City's General Fund. Required supplementary information can be found on pages 71 to 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 75 to 134 of this report.

#### CITY OF CINCINNATI'S Net Assets

(AMOUNTS IN THOUSANDS)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$585,528	\$581,837	\$184,739	\$141,842	\$770,267	\$723,679
Capital assets	<u>805,405</u>	<u>727,349</u>	<u>767,451</u>	<u>692,554</u>	<u>1,572,856</u>	<u>1,419,903</u>
Total Assets	1,390,933	1,309,186	952,190	834,396	2,343,123	2,143,582
Long-term liabilities outstanding	350,900	333,668	242,056	159,621	592,956	493,289
Other liabilities	<u>243,392</u>	<u>210,472</u>	<u>53,886</u>	<u>39,416</u>	<u>297,278</u>	<u>249,888</u>
Total liabilities	594,292	544,140	295,942	199,037	890,234	743,177
Net assets:						
Invested in capital assets, net of related debt	534,066	490,028	566,748	526,297	1,100,814	1,016,325
Restricted	176,263	197,516	4,452	3,435	180,715	200,951
Unrestricted	<u>86,312</u>	<u>77,502</u>	<u>85,048</u>	<u>105,627</u>	<u>171,360</u>	<u>183,129</u>
Total net assets	<u>\$796,641</u>	<u>\$765,046</u>	<u>\$656,248</u>	<u>\$635,359</u>	<u>\$1,452,889</u>	<u>\$1,400,405</u>

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City assets exceeded liabilities by \$1.5 billion at the close of the most recent fiscal year.

The largest portion of the City's net assets \$1.1 billion (75.8 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$180.7 million (12.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance \$171.4 million (11.8 percent) represents *unrestricted net assets* and may be used to meet the government's ongoing obligations to citizens and creditors. It is important to note that although the total unrestricted net assets is \$171.4 million, the unrestricted net assets of the City's business-type activities (\$85.1 million) may not be used to fund governmental activities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

Overall net assets of the City increased \$52.5 million in 2003. Net assets for governmental activities increased \$31.6 million, while net assets of business-type activities increased \$20.9 million.

There was a decrease of \$21.3 million in restricted net assets reported in connection with the City's governmental activities and a \$1.0 million increase in the City's business-type activities. The key factors in these changes were the City's contribution of \$15 million to the Cincinnati Housing Development Fund LLC and a decrease in revenue and other financing sources.

The City's governmental activities amount invested in capital assets, net of related debt, increased \$44 million as bond proceeds and capital grants were used to complete certain capital projects during 2003. The City's business-type activities amount invested in capital assets, net of related debt, increased \$40.5 million.

**CITY OF CINCINNATI**

**Changes in Net Assets**

(AMOUNTS IN THOUSANDS)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	\$ 111,474	\$ 103,108	\$ 113,443	\$ 114,011	\$ 224,917	\$ 217,119
Operating Grants and Contributions	53,721	56,719			53,721	56,719
Capital Grants and Contributions	27,323	21,247	12,190	14,641	39,513	35,888
General Revenues:						
Property Taxes	68,040	64,051			68,040	64,051
Income Taxes	259,488	252,790			259,488	252,790
Admission Taxes	4,075	3,446			4,075	3,446
Shared Taxes	68,018	66,386			68,018	66,386
Occupancy Taxes	1,449		1,019	1,662	2,468	1,662
Unrestricted Investment Earnings	11,199	46,277	2,396	3,879	13,595	50,156
Miscellaneous	52	249	4,780	2,455	4,832	2,704
Loss on disposal of assets	<u>-</u>	<u>(5,331)</u>	<u>(372)</u>	<u>(870)</u>	<u>(372)</u>	<u>(6,201)</u>
Total Revenues	604,839	608,942	133,456	135,778	738,295	744,720
Expenses:						
General Government	115,988	102,323			115,988	102,323
Community Development	65,028	52,327			65,028	52,327
Parks and Recreation	35,496	34,647			35,496	34,647
Public Safety	192,370	182,135			192,370	182,135
Transportation and Engineering	25,378	24,042			25,378	24,042
Enterprise Services	35,558	51,171			35,558	51,171
Public Services	44,662	40,036			44,662	40,036
Public Health	40,844	39,297			40,844	39,297
Interest on long-term debt	17,618	17,243			17,618	17,243
Water Works			84,142	78,039	84,142	78,039
Parking Facilities			7,416	7,127	7,416	7,127
Convention Center			7,117	7,715	7,117	7,715
General Aviation			2,083	1,937	2,083	1,937
Municipal Golf			6,282	5,634	6,282	5,634
Stormwater Management			5,829	4,652	5,829	4,652
Total Expenses	572,942	543,221	112,869	105,104	685,811	648,325
Change in net assets before transfers	31,897	65,721	20,587	30,674	52,484	96,395
Transfers	<u>(302)</u>	<u>(14,457)</u>	<u>302</u>	<u>14,457</u>		
Change in net assets	31,595	51,264	20,889	45,131	52,484	96,395
Net assets – January 1 <sup>st</sup>	<u>765,046</u>	<u>713,782</u>	<u>635,359</u>	<u>590,228</u>	<u>1,400,405</u>	<u>1,304,010</u>
Net assets – December 31 <sup>st</sup>	<u>\$ 796,641</u>	<u>\$ 765,046</u>	<u>\$ 656,248</u>	<u>\$ 635,359</u>	<u>\$ 1,452,889</u>	<u>\$ 1,400,405</u>



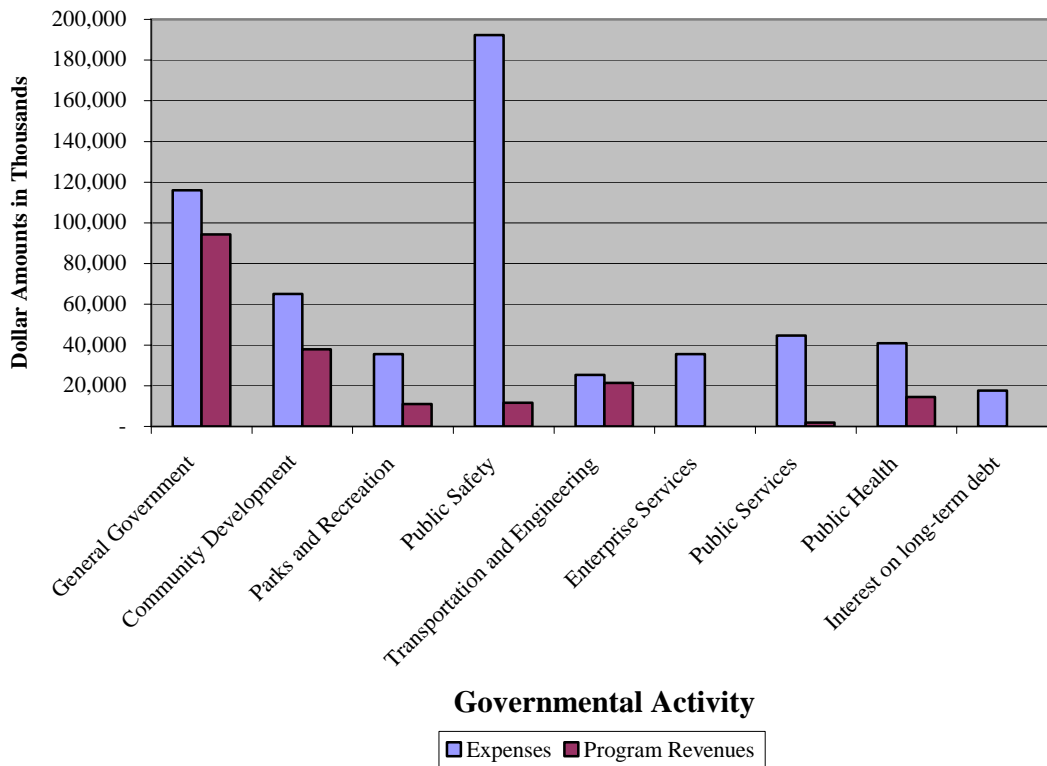
**Governmental activities.** Governmental activities increased the City's net assets in 2003 by \$31.6 million, thereby accounting for 60.2 percent of the total growth in the net assets of the City. Key elements of the change in net assets include:

- Income Tax revenues increased \$6.7 million.
- Property tax revenue increased \$4.0 million. A reappraisal of property values was completed in the year 2002 resulting in higher property valuations for 2003.
- General government charges for services increased by \$8.4 million due to increased billings to other funds for health care. This was offset by an increase in general government expense for health care payments.
- Capital grants and contributions increased \$6.0 million.
- Unrestricted investment earnings were \$11.2 million. This is a significant reduction from 2001 and 2002 because those years reflected proceeds received from the sale of stock that the City received as a result of the demutualization of Anthem Blue Cross Blue Shield.

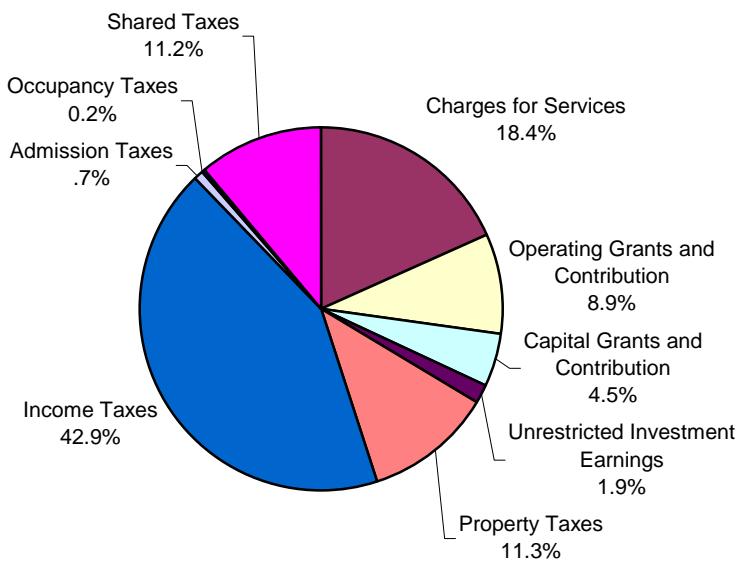
**Business-type activities.** Business-type activities increased the City's net assets in 2003 by \$20.9 million, accounting for 39.8 percent of the total growth in the government's net assets. Key elements of the increase include:

- Capital contributions in the amount of \$12.2 were received.
  - Contributions of water mains to Water Works accounted for \$8.7 million.
  - Contributions from the corporate community dedicated for the renovation and expansion of the Cincinnati Convention Center accounted for \$2.1 million.
- In March 2003 Water Works expanded its service area to include Boone County and City of Florence in Northern Kentucky, which accounted for \$2.7 million in revenues.

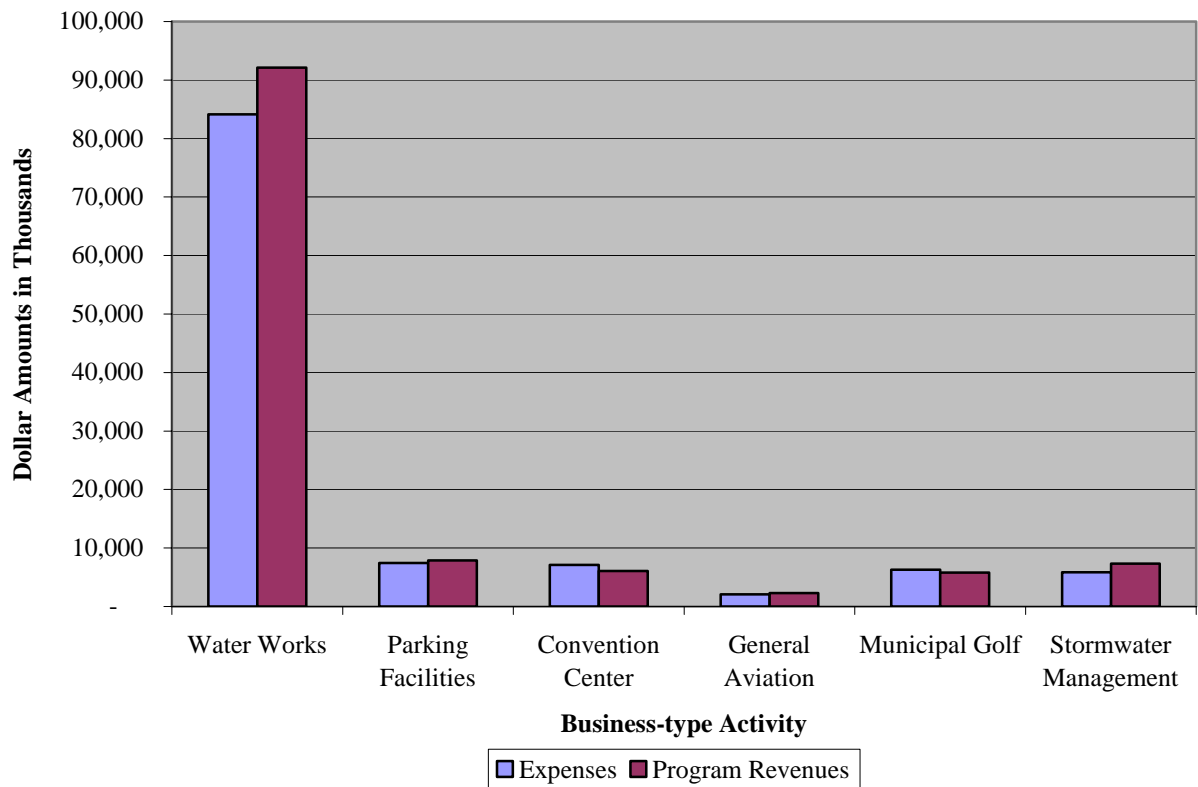
### Expenses and Program Revenues - Governmental Activities



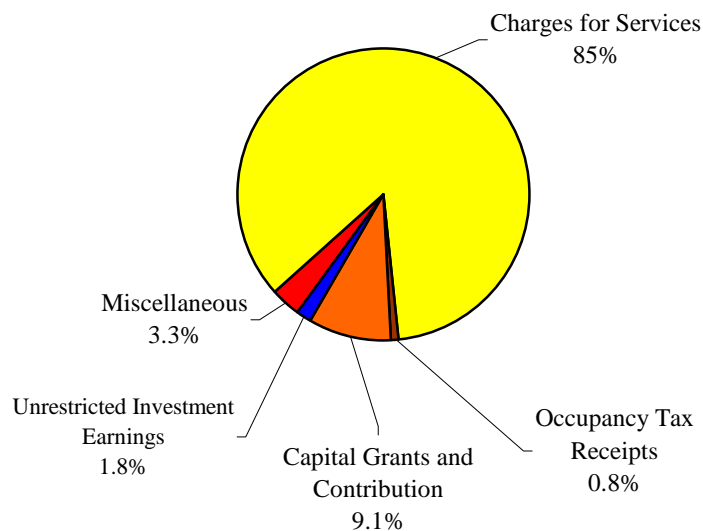
### Revenues by Source - Governmental Activities



### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



## Financial analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$343 million, a decrease of \$8.2 million in comparison with the prior year. Approximately 47 percent of this total amount constitutes *unreserved fund balance*, which is available for spending. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been committed for encumbrances, working capital, inventory, and advances to other funds.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$51.3 million, while total fund balance reached \$65.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.6 percent of total general fund expenditures, while total fund balance represents 21.2 percent of that same amount.

The fund balance of the City's general fund increased by \$136 thousand during the current fiscal year. Key factors of the increase are as follows:

- Taxes increased \$5.3 million due to an increase in property values and an improving economy.
- Expenditures increased \$5.2 million in Public Safety. This increase in expenditures offset the additional revenue received.

The capital projects fund has a total fund balance of \$163.8 million, which is a decrease of \$24.9 million over 2002. Key factors of the decrease are as follows:

- The City contributed \$15.0 million to the Cincinnati Housing Development Fund LLC, which was created for the purpose of establishing and operating a fund to provide loans to developers for projects that include the acquisition, rehabilitation and new construction of market-rate housing.
- The remaining decrease is attributable to a decrease in revenue and other financing sources.

The debt service fund has a total fund balance of \$53.5 million that is reserved for the payment of debt service. The net increase in fund balance was \$16.6 million. Key factors of the increase are as follows:

- In December 2003 \$20.5 million in economic development revenue bonds were sold to benefit Convergys Corporation as part of an agreement for the creation and retention of jobs. Ten million dollars of the proceeds were paid to Convergys in 2003.
- Property tax revenue dedicated to debt service increased \$3.7 million

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Works at the end of the year amounted to \$51 million, and the total for the other enterprise funds is \$27.3 million. The total growth in net assets for the Water Works fund was \$18.9 million and the growth in net assets for the other enterprise funds was \$3.1 million. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The final amended General Fund budget had total appropriations of approximately \$5.8 million more than the original budget. The original appropriations were \$312.5 million while the final appropriations were \$318.3 million. Key elements of the changes in appropriation include:

- \$4,635,000 appropriation increase for Judgments against the City.
- \$970,000 appropriation increase for Recycling and Yard Waste Program.
- \$100,000 appropriation increase for Police visibility overtime
- \$93,000 appropriation increase to Transportation and Engineering

Judgment notes were sold in July 2003 and the proceeds were transferred into the general fund to fund this \$4.635 million increase in appropriations. The other increases were funded from transfers in from other funds and available fund balance. All other changes in appropriations were due to transfers between agencies and were within the original approved budget.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$1.57 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment, park facilities, streets, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 10.8 percent (a 10.7 percent increase for governmental activities and a 10.8 percent increase for business-type activities).

### City of Cincinnati's Capital Assets (net of depreciation)

(AMOUNTS IN THOUSANDS)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 159,691	\$ 156,371	\$ 25,336	\$ 25,349	\$ 185,027	\$ 181,720
Buildings	59,558	54,336	151,879	137,632	211,437	191,968
Improvements	120,665	103,553	368,579	312,893	489,244	416,446
Machinery and Equipment	51,217	42,326	80,837	79,776	132,054	122,102
Infrastructure	289,026	261,546			289,026	261,546
Construction in Progress	125,203	108,888	140,641	136,632	265,844	245,520
Property Acquired under Capital Leases	<u>45</u>	<u>329</u>	<u>179</u>	<u>272</u>	<u>224</u>	<u>601</u>
Total	<u>\$ 805,405</u>	<u>\$ 727,349</u>	<u>\$ 767,451</u>	<u>\$ 692,554</u>	<u>\$1,572,856</u>	<u>\$1,419,903</u>

Total capital assets, net of accumulated depreciation, increased \$153 million. Major capital asset events during 2003 included the following:

- Governmental activities capital assets increased \$78.1 million in 2003 net of depreciation and included:
  - Infrastructure improvements for bridges, Fort Washington Way improvements, street improvements, street rehabilitation and traffic signal upgrades of \$27.5 million.
  - Park and Recreation facility improvements of \$5.7 million.
  - Findlay Market improvements of \$4.7 million.
  - Fountain Square Plaza improvements of \$4.7 million.
  - Improvements to other city facilities of \$2.0 million.
  - Construction in Progress increased \$16.3 million.
  - Machinery and Equipment increased \$8.9 million.
  - Buildings increased \$5.3 million.
  - Land increased \$2.8 million.
- Business-type activities capital assets increased \$74.9 million net of depreciation and included:
  - Buildings for water utilities in the amount of \$17.7 million primarily for a pump station and water quality lab.
  - Improvements to water utilities for the pump station, water quality lab expansion and meter repair program of \$52.1 million.
  - Construction in progress for water utilities decreased by \$6.5 million as projects were completed and assets were moved to buildings and improvements.
  - Construction in progress for the Convention Center renovation and expansion increased \$7.5 million
  - Improvements to the stormwater utilities were \$1.9 million.
  - The net increase in construction in progress for stormwater was \$1.3 million.

Additional information on the City's capital assets can be found in note 14 on pages 58 to 60 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had \$629.8 million in short and long-term bonds and notes outstanding. Of this amount, \$392.3 million comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Cincinnati's Outstanding Debt  
General Obligation and Revenue Bonds  
(AMOUNTS IN THOUSANDS)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>General Obligation Bonds &amp; Notes</b>	\$ 324,472	\$ 294,970	\$ 67,845	\$ 84,067	\$ 392,317	\$ 379,037
<b>Revenue Bonds</b>	<u>38,140</u>	<u>18,522</u>	<u>199,310</u>	<u>89,885</u>	<u>237,450</u>	<u>108,407</u>
<b>Total</b>	<u>\$ 362,612</u>	<u>\$ 313,492</u>	<u>\$ 267,155</u>	<u>\$ 173,952</u>	<u>\$ 629,767</u>	<u>\$ 487,444</u>

The City's total debt increased by \$142.3 million (29.2 percent) during the current fiscal year. Key events contributing to the change in long-term debt balances are as follows:

- In March 2003 the City issued \$112.4 million Water Works revenue bonds.

- In May 2003 the City issued \$52.7 million various purpose general obligation bonds primarily for street, public building and equipment improvements.
- In December 2003 the City issued \$20.5 million revenue bonds to finance the Convergys Corporation economic development project.
- In July 2003 the City issued \$4.635 million in judgement notes.
- During 2003 \$45.9 million in general long-term bond obligations were redeemed. Of the amounts redeemed \$16.2 in general obligation bonds redeemed were for business-type activities.
- During 2003 \$3.8 million in revenue bonds were redeemed of which \$2.9 million were for business-type activities.

The City's general obligation bond rating by Standard and Poor's Corporation and Moody's Investor Services, Inc. are "AA+" and "Aa1", respectively.

The City is within all of its legal debt limitations. The Ohio Revised Code provides that the net debt (as defined in the Ohio Revised Code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by the ratio of net debt to tax valuation and expressed in terms of a percentage. The City had a legal debt margin for total debt of \$379.6 million and a legal debt margin for unvoted debt of \$93.3 million.

Additional information the City's long-term debt can be found in note 9 on pages 51-55 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Cincinnati PMSA was 4.5 percent at December 2003, which is an increase of 0.6 percent over a year ago. This compares favorably to the State's average unemployment rate of 6.0 percent and the national average rate of 5.7 percent.
- The occupancy rate of the central business district Class A office space was 87 percent at the end of 2003 compared to a 90 percent occupancy rate at the end of 2002.
- The City is experiencing increasing costs for employee health care, retirement and contractually obligated labor costs.

All of these factors were considered in updating the City's biennial budget for the fiscal year 2004.

The General Fund balance is budgeted to be \$4.2 million at the end of 2004. This is a reduction of \$14.8 million from the 2003 actual year-end fund balance of \$19.0 million. The reduction is primarily due to increased cost associated with the following: employer contributions to the City Retirement System, employer contributions for employee healthcare, the approved Police labor contract and approved Fire labor contract.

Consistent with previously planned rate increases and the 2003/2004 Approved Budget, the Water Works plans a 3% rate increase in 2004. It is expected that future rate increases will range 3-4% or more annually to support water service and capital replacement, maintain sufficient debt service coverage ratios, and provide an adequate fund balance necessary to maintain the current bond rating. The 2004 rate increase will primarily support employee benefit cost increases and continued investment in infrastructure.

### **Requests for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City Hall, Room 250, 801 Plum Street, Cincinnati, Ohio, 45202.

**BASIC  
FINANCIAL STATEMENTS**



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**CITY OF CINCINNATI, OHIO**  
**Statement of Net Assets**  
December 31, 2003  
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<u>Current</u>			
Cash and Equivalents	\$ 3,348	\$ 652	\$ 4,000
Equity in City Treasury Cash	182,394	24,618	207,012
Advances and Petty Cash	97		97
Investments, at Fair Value	62,372	49,984	112,356
Receivables:			
Taxes	105,166	112	105,278
Accounts, Net	2,558	15,382	17,940
Special Assessments	4,895		4,895
Accrued Interest and Dividends	2,531	502	3,033
Due from Fiduciary Activities	1,308	112	1,420
Due from Other Governments	21,952	10,288	32,240
Prepaid Items	961	705	1,666
Inventory	4,855	3,461	8,316
Restricted Assets:			
Cash and Cash Equivalents		18,246	18,246
Equity in City Treasury Cash		4,969	4,969
Internal Balances	(21,025)	21,025	
<u>Noncurrent</u>			
Equity in City Treasury Cash - long term	213,083	28,771	241,854
Restricted Equity in City Treasury Cash		5,796	5,796
Accounts Receivable, Net		116	116
Deferred Charges	1,033		1,033
Land	159,691	25,336	185,027
Buildings, net of Accumulated Depreciation	59,558	151,879	211,437
Improvements, net of Accumulated Depreciation	120,665	368,579	489,244
Machinery and Equipment, net of Accumulated Depreciation	51,217	80,837	132,054
Construction in Progress	125,203	140,641	265,844
Property Acquired under Capital Leases, net of Accumulated Amortization	45	179	224
Infrastructure Assets, net of Accumulated Depreciation	289,026		289,026
<b>TOTAL ASSETS</b>	<u>\$ 1,390,933</u>	<u>\$ 952,190</u>	<u>\$ 2,343,123</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
**Statement of Net Assets**  
December 31, 2003  
(Amounts in Thousands)

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<u>Current</u>			
Accounts Payable	\$ 27,830	\$ 2,891	\$ 30,721
Withholdings and Other Deposits	8,744		8,744
Due to Fiduciary Activities	277	74	351
Due to Other Governmental Agencies		1,529	1,529
Accrued Payroll	9,762	1,336	11,098
Accrued Liabilities	5,878	426	6,304
Accrued Interest	1,880	283	2,163
Deposits Payable	4,642	20	4,662
Unearned Revenue	66,540	6,335	72,875
Obligations under Capital Leases	26		26
Compensated Absences Payable	40,066	3,124	43,190
Unpaid Claims	15,712	80	15,792
Matured Bonds and Interest Payable	582		582
General Obligation Bonds and Notes Payable	54,743	22,687	77,430
Revenue Bonds Payable	2,288	7,010	9,298
Other	465		465
Advances from Other Governments	3,957		3,957
Payable from Restricted Assets:			
Construction Contracts		7,321	7,321
Deposits Payable		770	770
<u>Noncurrent</u>			
Non-Current Obligations under Capital Leases	85		85
General Obligation Bonds and Notes Payable	269,729	45,158	314,887
Revenue Bonds Payable	35,852	192,300	228,152
Compensated Absences Payable - Long Term	30,634	3,388	34,022
Deferred Bond Premium	997		997
Other	1,815	1,210	3,025
Unpaid Claims Payable - Long Term	11,788		11,788
<b>TOTAL LIABILITIES</b>	<b>594,292</b>	<b>295,942</b>	<b>890,234</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	534,066	566,748	1,100,814
Restricted			
Expendable	168,573	4,452	173,025
Nonexpendable	7,690		7,690
Unrestricted	86,312	85,048	171,360
<b>TOTAL NET ASSETS</b>	<b>\$ 796,641</b>	<b>\$ 656,248</b>	<b>\$ 1,452,889</b>

The accompanying notes to the financial statements are an integral part of this statement.

**City of Cincinnati, Ohio**  
Statement of Activities  
For the year ended December 31, 2003  
(Amounts in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 115,988	\$ 84,702	\$ 6,073	\$ 3,582	\$ (21,631)		\$ (21,631)
Community Development	65,028	1,644	34,923	1,310	(27,151)		(27,151)
Parks and Recreation	35,496	6,217	3,304	1,428	(24,547)		(24,547)
Public Safety	192,370	7,634	3,943		(180,793)		(180,793)
Transportation and Engineering	25,378	393		21,003	(3,982)		(3,982)
Enterprise Services	35,558				(35,558)		(35,558)
Public Services	44,662	1,858			(42,804)		(42,804)
Public Health	40,844	9,026	5,478		(26,340)		(26,340)
Interest on long-term debt	17,618				(17,618)		(17,618)
Total governmental activities	572,942	111,474	53,721	27,323	(380,424)		(380,424)
Business type activities:							
Water Works	84,142	87,538		8,661		\$ 12,057	12,057
Parking Facilities	7,416	7,885		6		475	475
Convention Center	7,117	2,994		3,057		(1,066)	(1,066)
General Aviation	2,083	1,867		457		241	241
Municipal Golf	6,282	5,811				(471)	(471)
Stormwater Management	5,829	7,348		9		1,528	1,528
Total Business-type activities	112,869	113,443		12,190		12,764	12,764
Total	\$ 685,811	\$ 224,917	\$ 53,721	\$ 39,513	(380,424)	12,764	(367,660)
General Revenues:							
Taxes:							
Property taxes					68,040		68,040
Income taxes					259,488		259,488
Admission taxes					4,075		4,075
Shared taxes					68,018		68,018
Occupancy taxes					1,449	1,019	2,468
Unrestricted investment earnings					11,199	2,396	13,595
Miscellaneous					52	4,780	4,832
Loss on disposal of assets						(372)	(372)
Transfers between governmental and business-type activities					(302)	302	
Total general revenues, miscellaneous, and transfers					412,019	8,125	420,144
Change in net assets					31,595	20,889	52,484
Net assets-beginning					765,046	635,359	1,400,405
Net assets-ending					\$ 796,641	\$ 656,248	\$ 1,452,889

The accompanying notes to the financial statements are an integral part of this statement.

## CITY OF CINCINNATI, OHIO

## Balance Sheet

## Governmental Funds

December 31, 2003

(Amounts in Thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Equivalents	\$	\$	\$	\$ 3,348	\$ 3,348
Equity in City Treasury Cash	62,360	172,646	39,727	55,699	330,432
Advances and Petty Cash	97				97
Investments, at Fair Value		42,104	12,288	7,980	62,372
Receivables:					
Taxes	55,232	5,200	37,839	6,895	105,166
Accounts, Net	1,290			796	2,086
Special Assessments	380	48		4,467	4,895
Accrued Interest and Dividends	1,058	181	165	88	1,492
Due from Other Funds	339	2,107		303	2,749
Due from Other Governments	17,138			3,981	21,119
Inventory	2,269	550		380	3,199
Advances to Other Funds	302			3,228	3,530
Total Assets	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 3,827	\$ 12,398	\$ 12	\$ 7,504	\$ 23,741
Withholdings and Other Deposits	8,744				8,744
Due to Other Funds	2,532	1,042		512	4,086
Accrued Payroll	8,009		6	1,098	9,113
Accrued Liabilities	823			56	879
Deposits Payable	2,789		418	1,324	4,531
Deferred Revenue	43,676	3,236	35,467	6,368	88,747
Notes Payable		15,410			15,410
Estimated Liability for Compensated Absences				7,248	7,248
Estimated Liability for Unpaid Claims	130			4	134
Advances from Other Funds	521	26,969		2,832	30,322
Advances from Other Governments	3,937				3,937
Matured Bonds and Interest Payable			582		582
Total Liabilities	<u>74,988</u>	<u>59,055</u>	<u>36,485</u>	<u>26,946</u>	<u>197,474</u>
<b>Fund Balances:</b>					
Reserved for:					
Advances and Petty Cash	97				97
Encumbrances	11,470	44,959	3	36,655	93,087
Accordance with Trusts				7,286	7,286
Working Capital		21,130			21,130
Advances to Other Funds	302			3,228	3,530
Inventory	2,269	550		380	3,199
Debt Service			53,531		53,531
Unreserved, reported in:					
General Fund - Undesignated	49,839				49,839
General Fund - Designated for Int. Service Funds	1,500				1,500
Capital Projects		97,142			97,142
Special Revenue Funds - Undesignated				7,269	7,269
Special Revenue Funds - Designated for Contingencies				5,000	5,000
Permanent Funds				401	401
Total Fund Balances	<u>65,477</u>	<u>163,781</u>	<u>53,534</u>	<u>60,219</u>	<u>343,011</u>
Total Liabilities and Fund Balances	<u>\$ 140,465</u>	<u>\$ 222,836</u>	<u>\$ 90,019</u>	<u>\$ 87,165</u>	<u>\$ 540,485</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
**Reconciliation of the Balance Sheet to the**  
**Statement of Net Assets**  
**Governmental Funds**  
**December 31, 2003**  
**(Amounts in Thousands)**

<b>Total fund balances - governmental funds</b>	<b>\$</b>	<b>343,011</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		805,405
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Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		22,247
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Certain items accounted for as receivables under accrual accounting.		710
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Some amounts reported for governmental-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.		(6,783)
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Seven internal service funds are used by the City's management. The assets and liabilities of the internal service funds are included with governmental activities. The net property of \$29,086 as it relates to the internal service funds is included in the capital asset amount above.		53,843
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Bond issue costs and discounts are expensed in the fund level financial statements but are capitalized and amortized over the life of the bonds in the government-wide financial statements. This is the unamortized portion of those issue costs and discounts.		1,033
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable		(309,062)
Revenue bonds payable		(38,140)
Deferred bond premium		(997)
Compensated absences		(61,333)
Unpaid claims payable		(9,060)
Accrued interest on bonds		(1,880)
Other liability		(2,280)
Capital leases payable		(73)
		(399,525)

<b>Total net assets - - governmental activities (page 18)</b>	<b>\$</b>	<b>796,641</b>
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The accompanying notes to the financial statements are an integral part of this statement.

**City of Cincinnati, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2003**  
**(Amounts in Thousands)**

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 221,123	\$ 22,979	\$ 36,667	\$ 50,770	\$ 331,539
Licenses and Permits	5,870			3,461	9,331
Use of Money and Property	11,208	933	21,127	4,241	37,509
Special Assessments		54		3,708	3,762
Intergovernmental Revenue	54,490	5,122	3,155	12,442	75,209
Federal Grants		13,219		43,130	56,349
State Grants and Subsidies		5,401		1,452	6,853
Charges for Current Services	12,203	48		11,755	24,006
Miscellaneous	859	4,481	27	6,111	11,478
Total Revenue	<u>305,753</u>	<u>52,237</u>	<u>60,976</u>	<u>137,070</u>	<u>556,036</u>
<b>EXPENDITURES</b>					
Current					
General Government	40,382		686	11,051	52,119
Community Development	9,803		10,012	27,163	46,978
Parks and Recreation	19,352			9,059	28,411
Public Safety	138,369			3,757	142,126
Transportation and Engineering	2,969			4,359	7,328
Enterprise Services				35,558	35,558
Public Services	21,821			13,537	35,358
Public Health	22,125			12,507	34,632
Employee Benefits	53,578			5,067	58,645
Capital Outlay	200	95,064		26,196	121,460
Debt Service:					
Principal Retirement			55,385		55,385
Interest			16,979	478	17,457
Bond Issuance Cost			707		707
Total Expenditures	<u>308,599</u>	<u>95,064</u>	<u>83,769</u>	<u>148,732</u>	<u>636,164</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(2,846)	(42,827)	(22,793)	(11,662)	(80,128)
<b>OTHER FINANCING SOURCES(USES)</b>					
General Obligation Bonds and Notes Issued		58,840			58,840
Capital Lease Agreements		77			77
Revenue Bonds Issued			20,505		20,505
Premium on Bonds Issued			821		821
Discount on Revenue Bonds			(70)		(70)
Transfers In	6,081	27,532	41,478	17,246	92,337
Transfers (Out)	(3,099)	(68,524)	(23,378)	(5,581)	(100,582)
Total Other Financing Sources(Uses)	<u>2,982</u>	<u>17,925</u>	<u>39,356</u>	<u>11,665</u>	<u>71,928</u>
Net change in fund balances	136	(24,902)	16,563	3	(8,200)
Fund Balances at January 1	65,341	188,683	36,971	60,216	351,211
Fund Balances at December 31	<u>\$ 65,477</u>	<u>\$ 163,781</u>	<u>\$ 53,534</u>	<u>\$ 60,219</u>	<u>\$ 343,011</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**  
**(Amounts in Thousands)**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>(8,200)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$121,460) exceeded depreciation (\$35,176) in the current period.		86,284
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Capital outlay expensed		(13,660)
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Governmental funds report cash received for assets disposed of as revenue. However, in the statement of activities, that cash offsets the difference between the book value and accumulated depreciation of the disposed asset. This is the sum of the cash received (\$286) and the net loss (\$1,574) on the sale of assets.		(1,860)
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Statement of activities reports an increase in revenues due to current activity in deferred revenues which is not reported at fund level.		989
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,000)
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The long-term liability for compensated absences is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.		(3,044)
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The long-term liability for unpaid claims is not recorded in the fund level, but is reported in the statement of activities. This is the current year change in the liability, reported as an expense in the statement of activities.		(2,995)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		(23,960)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(173)
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Bond premiums are included in revenue at the fund level, but capitalized and amortized over the life of the bonds in the government-wide financial statements.		(617)
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(Continued)



**CITY OF CINCINNATI, OHIO**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended December 31, 2003**  
**(Amounts in Thousands)**

(Continued)

Bond issuance costs are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	\$ 613
Bond discounts are included in expenditures at the fund level, but are deferred and amortized over the life of the bonds in the government-wide financial statements	70
Internal balances between the governmental activities and the business type activities are not reported at the fund level.	1,146
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue(expense) of certain internal service funds is reported with governmental activities.	<u>(1,998)</u>
Change in net assets of governmental activities (page 19)	<u><u>\$ 31,595</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CINCINNATI, OHIO  
Statement of Net Assets  
Proprietary Funds  
December 31, 2003  
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>				
<u>Current</u>				
Cash and Equivalents	\$ 543	\$ 109	\$ 652	\$
Equity in City Treasury Cash	17,966	6,652	24,618	29,998
Receivables:				
Taxes		112	112	
Accounts, Net	13,611	1,771	15,382	472
Accrued Interest and Dividends	370	132	502	329
Due from Other Funds	972	133	1,105	3,439
Due from Other Governments	10,067	221	10,288	833
Prepaid Items	611	94	705	961
Inventory	3,461		3,461	1,656
Advances to Other Funds	295	13,556	13,851	13,414
Restricted Assets:				
Cash and Cash Equivalents	18,246		18,246	
Equity in City Treasury Cash	4,961	8	4,969	
Investments at Fair Value	49,984		49,984	
<u>Noncurrent</u>				
Equity in City Treasury Cash	20,989	7,782	28,771	35,047
Restricted Equity in City Treasury Cash	5,796		5,796	
Accounts Receivable, Net	116		116	
Land	2,610	22,726	25,336	283
Buildings, net of Accumulated Depreciation	116,073	35,806	151,879	12
Improvements, net of Accumulated Depreciation	315,884	52,695	368,579	4,032
Machinery and Equipment	80,151	686	80,837	24,714
Construction in Progress	97,276	43,365	140,641	
Property Acquired under Capital Leases, net of Accumulated Amortization		179	179	45
Total Assets	759,982	186,027	946,009	115,235

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2003**  
**(Amounts in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Water Works</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>LIABILITIES</b>				
<u>Current</u>				
Accounts Payable	\$ 2,116	\$ 775	\$ 2,891	\$ 4,089
Due to Other Funds	375	301	676	1,462
Due to Other Governmental Agencies	1,529		1,529	
Accrued Payroll	1,078	258	1,336	649
Accrued Liabilities		426	426	4,999
Accrued Interest	204	79	283	
Obligations under Capital Leases				10
Deposits Payable		20	20	111
Unearned Revenue	5,952	383	6,335	40
Compensated Absences payable	2,479	645	3,124	1,583
Unpaid Claims payable	74	6	80	8,170
General Obligation Bonds and Notes Payable	11,830	10,857	22,687	
Revenue Bonds Payable	7,010		7,010	
Advances from Other Funds				473
Advances from Other Governments				20
Payable from Restricted Assets:				
Construction Contracts	7,321		7,321	
Deposits Payable	770		770	
<u>Noncurrent:</u>				
Obligations under Capital Leases				28
Compensated Absences payable	2,978	410	3,388	536
Arbitrage Liability	1,210		1,210	
Unpaid Claims payable				10,136
Revenue Bonds Payable	192,300		192,300	
General Obligation Bonds and Notes Payable	41,510	3,648	45,158	
<b>Total Liabilities</b>	<b>278,736</b>	<b>17,808</b>	<b>296,544</b>	<b>32,306</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	425,796	140,952	566,748	29,048
Restricted	4,444	8	4,452	
Unrestricted	51,006	27,259	78,265	53,881
<b>Total Net Assets</b>	<b>\$ 481,246</b>	<b>\$ 168,219</b>	<b>649,465</b>	<b>\$ 82,929</b>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business type activities.

6,783

Net assets of business type activities

\$ 656,248

The accompanying notes to the financial statements are an integral part of this statement.

**City of Cincinnati, Ohio**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the year ended December 31, 2003  
(Amounts in Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Services Funds
<b>OPERATING REVENUES</b>				
Charges for Current Services	\$ 87,538	\$ 25,905	\$ 113,443	\$ 97,602
Miscellaneous	4,018	762	4,780	1,767
Total Operating Revenues	91,556	26,667	118,223	99,369
<b>OPERATING EXPENSES</b>				
Personal services	31,741	7,486	39,227	16,142
Contractual services	8,692	8,728	17,420	8,612
Maintenance and repairs	3,006	1,614	4,620	1,984
Materials and supplies	6,256	472	6,728	9,167
Utilities	8,007	1,701	9,708	431
Insurance	264	108	372	70,096
Taxes	1	520	521	2
Depreciation and amortization	15,657	6,975	22,632	2,784
Rent	656	227	883	1,714
Other expense	482	159	641	21
Total Operating Expenses	74,762	27,990	102,752	110,953
Operating Income(Loss)	16,794	(1,323)	15,471	(11,584)
<b>NONOPERATING REVENUES(EXPENSES)</b>				
Interest revenue	2,041	355	2,396	1,492
Occupancy tax receipts		1,019	1,019	
Interest expense	(8,234)	(737)	(8,971)	(68)
Loss on disposal of assets	(323)	(49)	(372)	(21)
Nonoperating Revenues(Expenses)	(6,516)	588	(5,928)	1,403
Income (Loss) before Contributions and Transfers	10,278	(735)	9,543	(10,181)
Transfers In		1,210	1,210	10,199
Transfers (Out)		(908)	(908)	(2,256)
Capital contributions	8,661	3,529	12,190	240
Change in Net Assets	18,939	3,096	22,035	(1,998)
Net Assets at January 1	462,307	165,123		84,927
Net Assets at December 31	<u>\$ 481,246</u>	<u>\$ 168,219</u>		<u>\$ 82,929</u>

Some amounts reported for business-type activities in the statement of net assets are different because the net revenue of certain internal service funds is reported with business type activities.

(1,146)

Change in net assets of business type activities

\$ 20,889

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
Statement of Cash Flows  
**Proprietary Funds**  
For the year ended December 31, 2003  
(Amounts in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Receipts from Customers	\$ 91,507	\$ 26,794	\$ 118,301	\$ 39,339
Receipts from Other Funds		19	19	28,248
Receipts from Retirement System				34,554
Payments to Suppliers	(28,597)	(11,283)	(39,880)	(93,125)
Payments to Other Funds		(1,928)	(1,928)	(464)
Payments to Employees	(31,775)	(7,565)	(39,340)	(16,129)
Payments for Property Taxes	(1)	(491)	(492)	(2)
Net Cash Provided (Used) by Operating Activities	31,134	5,546	36,680	(7,579)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>				
Repayment of Advances Made To Other Funds	42	9,792	9,834	
Repayment of Advances Received from Other Funds				(41)
Advances To Other Funds				(753)
Occupancy Tax Receipts		1,149	1,149	
Transfers to Other Funds		(908)	(908)	(2,256)
Transfers from Other Funds		1,210	1,210	10,199
Net Cash Provided by Noncapital Financing	42	11,243	11,285	7,149
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>				
Capital Contributed by Other Sources	1,142	3,514	4,656	
Proceeds from the Sale of Capital Assets	60		60	
Proceeds from the Sale Of Bonds	112,360		112,360	
Acquisition of Property, Plant and Equipment	(2,382)	(1,878)	(4,260)	(9,779)
Interest Paid on Bonds and Notes	(4,722)	(745)	(5,467)	(64)
Principal Paid on Bonds and Notes	(17,405)	(1,752)	(19,157)	
Payments on Long Term Capital Lease Obligations	(4)	(65)	(69)	(124)
Additions to Construction in Progress	(69,442)	(15,962)	(85,404)	
Net Cash Provided (Used) by Capital and Related Financing Activities	19,607	(16,888)	2,719	(9,967)
<b><u>Cash Flow from Investing Activities:</u></b>				
Purchase of Investments	(49,984)		(49,984)	
Interest and Dividends on Investments	2,341	416	2,757	1,728
Net Cash Provided (Used) by Investing Activities	(47,643)	416	(47,227)	1,728
Net Increase (Decrease) in Cash and Cash Equivalents	3,140	317	3,457	(8,669)
Cash and Cash Equivalents at Beginning of Year	65,361	14,234	79,595	73,714
Cash and Cash Equivalents at End of Year	\$ 68,501	\$ 14,551	\$ 83,052	\$ 65,045

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
Statement of Cash Flows  
**Proprietary Funds**  
For the year ended December 31, 2003  
(Amounts in Thousands)

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	Water Works	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ 16,794	\$ (1,323)	\$ 15,471	\$ (11,584)
Depreciation and Amortization	15,657	6,975	22,632	2,784
Capitalized Assets Expensed		539	539	
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Receivables	209	175	384	955
Due from Other Funds	(117)	(97)	(214)	2,621
Due from Other Governments	(145)	(157)	(302)	620
Inventory	481		481	(91)
Prepaid Items	(582)	(11)	(593)	177
Increase (Decrease) in:				
Accounts Payable	(203)	278	75	224
Deposits Payable	(252)	4	(248)	43
Due to Other Funds	(20)	(724)	(744)	(512)
Due to Other Governmental Agencies	(609)		(609)	(1,094)
Accrued Payroll	(23)	65	42	139
Accrued Liabilities		126	126	(536)
Deferred Revenue		(130)	(130)	33
Liability for Compensated Absences	(10)	(146)	(156)	(129)
Estimated Liability for Unpaid Claims	(46)	(28)	(74)	(1,229)
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,134</u>	<u>\$ 5,546</u>	<u>\$ 36,680</u>	<u>\$ (7,579)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

Acquisition of Property, Plant and Equipment from Capital Contributions	<u>\$ 7,519</u>	<u>\$ 15</u>	<u>\$ 7,534</u>	<u>\$ 240</u>
Total Noncash Investing, Capital and Financing Activities	<u>\$ 7,519</u>	<u>\$ 15</u>	<u>\$ 7,534</u>	<u>\$ 240</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
Statement of Fiduciary Net Assets  
**Fiduciary Funds**  
December 31, 2003  
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund	Agency
<b>Assets</b>			
Cash and Equivalents	\$ 119,111	\$	\$
Equity in City Treasury Cash		33,205	6,103
Investments, at fair value:			
U. S. Government Bonds	240,532		
U. S. Government Agencies	789		
U. S. Government Mortgage Backed Securities	116,338		
Corporate Bonds	190,040		
State and Local Obligations	3,741		
Equities	1,494,538		
Venture Capital	14,529		
U. S. Treasury Bills and Notes	9,951		228,566
Commercial Paper	19,036		
Other Bonds	29,360		
Other Assets	67		
Total Investments, at fair value	2,118,921		228,566
Collateral on Loaned Securities	582,485		
Receivables:			
Accounts, Net	29		20,749
Accounts Receivable for Securities Sold	91,028		
Accrued Interest and Dividends	9,436		541
Due from Other Funds	361		48
Due from Other Governments	162		
Inventory			905
Loans Receivable	19,214		
Machinery and Equipment	1,369		
Accumulated Depreciation	(759)		
Total Assets	2,941,357	33,205	\$ 256,912
<b>Liabilities</b>			
Accounts Payable	2,425		\$ 10,263
Accounts Payable for Securities Purchase	69,733		
Due to Other Funds	370		1,108
Due to Other Governmental Agencies			232,585
Obligations Under Securities Lending	582,485		
Accrued Payroll	36		1,141
Accrued Liabilities	6,502		6
Deposits Payable			5,918
Deferred Revenue	2		
Estimated Liability for Compensated Absences	83		5,891
Total Liabilities	661,636		\$ 256,912
<b>Net Assets</b>			
Held in Trust for Pool Participant		33,205	
Held in Trust for Employees' Pension Benefits *	1,555,672		
Held in Trust for Employees' Postemployment * Healthcare Benefits	724,049		
Total Net Assets	\$ 2,279,721	\$ 33,205	

\*( The schedule of funding progress is shown on page 70.)

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF CINCINNATI, OHIO**  
Statement of Changes in Fiduciary Net Assets  
**Fiduciary Funds**  
For the Year Ended December 31, 2003  
(Amounts in Thousands)

	Pension Trust	Investment Trust Fund
<b>ADDITIONS</b>		
Contributions:	\$	\$
Plan members	13,311	
Employer	12,620	
Participant Deposits		192,670
Total Contributions	<u>25,931</u>	<u>192,670</u>
 Transfers From Other Retirement Systems	 898	
 Investment earnings:		
Interest and Dividends	60,618	1,234
Net appreciation (depreciation) in the fair value of investments	<u>356,984</u>	<u>(355)</u>
Total Investment earnings	417,602	879
Less investment management expenses	<u>6,083</u>	
Net Income From Investing Activities	<u>411,519</u>	<u>879</u>
 From Security Lending Activities:		
Securities Lending Income	4,121	
Securities Lending Expense:		
Borrower Rebates	(3,149)	
Management Fees	<u>(290)</u>	
Total Securities Lending Expenses	<u>(3,439)</u>	
Net Income from Securities Lending Activities	<u>682</u>	
 Total Additions	<u>439,030</u>	<u>193,549</u>
 <b>DEDUCTIONS</b>		
Benefit Payments:		
Pension and Annuities	92,303	
Distributions to Participants		189,577
Hospital and Medical Care	31,776	
Medicare	2,497	
Dental Benefits	900	
Vision Benefits	113	
Death Benefits, Active and Retired	1,123	
Loss Due to Death of Members with Loans	24	
Transfers - Retirement to other systems	<u>3,335</u>	
Total Benefits Payments	<u>132,071</u>	<u>189,577</u>
 Refunds of contributions	<u>1,545</u>	
 Administrative expenses:		
Personal Services	579	
Contractual Services	883	
Materials and Supplies	96	
Depreciation	<u>265</u>	
Total Administrative Expenses	<u>1,823</u>	
Total Deductions	<u>135,439</u>	<u>189,577</u>
 Change in net assets	 303,591	 3,972
Net assets - beginning	<u>1,976,130</u>	<u>29,233</u>
Net assets - ending	<u>\$ 2,279,721</u>	<u>\$ 33,205</u>

The accompanying notes to the financial statements are an integral part of this statement.



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